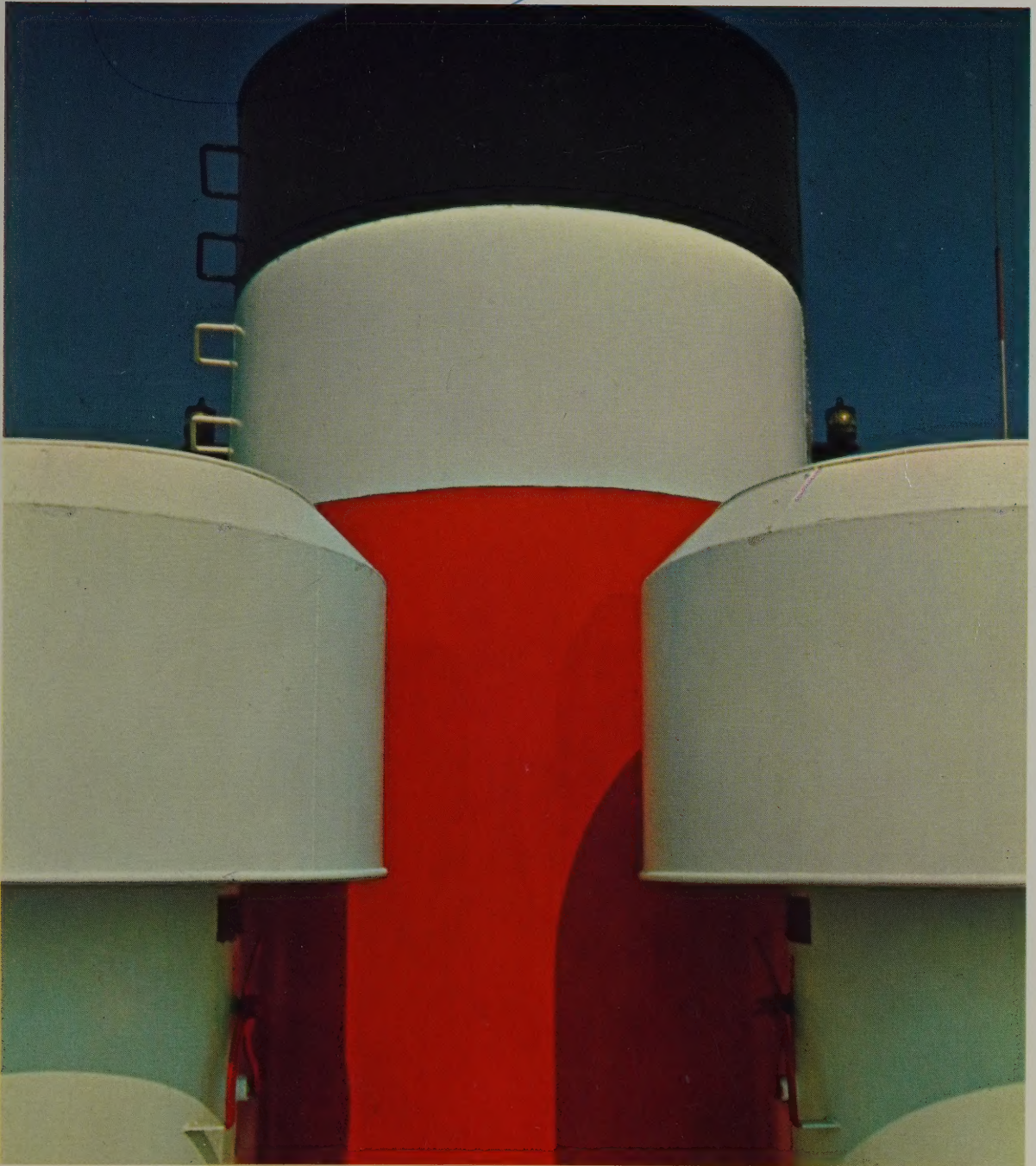


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Canada Steamship Lines, Limited

Annual Report 1968







# Canada Steamship Lines, Limited



## To the Shareowners:

Net earnings for the first six months of 1968 were \$2,456,322, down \$168,207 from the corresponding 1967 period. After preference dividend, earnings were 84¢ per common share (90¢ in 1967).

Sales at \$51,371,415 were up \$1,911,797 (4%), principally on a moderate increase in shipyard revenues.

Our shipping operations were adversely affected by the strike on the St. Lawrence Seaway which commenced June 21 and continued until July 14. This strike, over which we had no control, depressed what otherwise would have been a satisfactory result. It is to be hoped that our Government will take appropriate action to ensure that such a threat to the National welfare does not occur again.

Davie Shipbuilding and Canadian Shipbuilding & Engineering earnings show improvement. Both organizations are booked well into 1969 and Davie has received an important order for two helicopter-carrying destroyer escorts to be delivered in 1971 and 1972.

The profits of the land transportation division remain at a satisfactory level.

Our labour agreements with the Canadian Marine Officers Union (Engineers) and The Canadian Merchant Service Guild (Mates) were successfully negotiated for a further period of three years.

In June the Company purchased the physical assets of the Geo. T. Davie shipyard which adjoins Davie Shipbuilding Limited at Lauzon, P.Q.

The outlook for the last half of the year is promising, and while difficulties such as the Lakehead grain handlers' strike exist, the diversified nature of our enterprise should permit a satisfactory earnings result for the year.

T. R. McLAGAN  
*Chairman*

J. W. McGIFFIN  
*President*

August 6, 1968.

## Aux actionnaires:

Les bénéfices nets pour les premiers six mois de 1968 ont été de \$2,456,322, soit \$168,207 de moins que pour la même période en 1967. Les bénéfices nets après paiement des dividendes sur actions privilégiées, ont été de 84¢ par action ordinaire (90¢ en 1967).

A cause d'une augmentation modérée dans les revenus des chantiers maritimes, les ventes ont atteint \$51,371,415, soit \$1,911,797 (4%) de plus qu'en 1967.

Le transport maritime a été affecté défavorablement par une grève sur la Voie Maritime du Saint-Laurent, qui a débuté le 21 juin pour prendre fin le 14 juillet. Cette grève sur laquelle nous n'avions aucun contrôle a diminué ce qui autrement aurait été un résultat satisfaisant. Il est à espérer que notre gouvernement adoptera des mesures appropriées pour assurer qu'une telle menace au bien-être national ne se reproduira plus dans l'avenir.

Les revenus de Davie Shipbuilding et de Canadian Shipbuilding & Engineering se sont améliorés. Les deux organisations ont des commandes qui garantissent une période d'activité intense jusqu'à une date avancée en 1969 et Davie a reçu une commande importante pour deux navires d'escorte pouvant transporter des hélicoptères, à être livrés en 1971 et 1972.

Les profits de la division du transport sur terre demeurent à un niveau satisfaisant.

Des ententes sur la main-d'œuvre avec Canadian Marine Officers Union (Ingénieurs) et The Canadian Merchant Service Guild (Officiers) ont été conclues de façon satisfaisante pour une autre période de trois ans.

En juin, la Compagnie a acheté les actifs tangibles du chantier maritime de Geo. T. Davie, contigu à celui de Davie Shipbuilding Limited à Lauzon, Qué.

La perspective des six derniers mois de l'année est encourageante, et malgré les difficultés qui existent telle que la grève affectant la manutention du grain à la tête du lac Supérieur, la nature diversifiée de notre entreprise devrait nous amener des résultats bénéficiaires satisfaisants pour l'année.

le président du conseil  
T. R. McLAGAN

le président  
J. W. McGIFFIN

Le 6 août 1968.

# Consolidated Statement of Earnings (Unaudited)

SIX MONTHS ENDED JUNE 30

	1968	1967
Gross revenue from operations . . . . .	\$51,371,415	\$49,459,618
Earnings from operations . . . . .	8,237,936	7,831,395
Income from investments . . . . .	277,794	210,399
	8,515,730	8,041,794
Interest on notes and mortgage payable. . . . .	13,023	15,485
Provision for depreciation . . . . .	3,626,385	3,392,780
	3,639,408	3,408,265
	4,876,322	4,633,529
Taxes on income:		
Current . . . . .	1,963,000	1,243,948
Deferred . . . . .	457,000	765,052
	2,420,000	2,009,000
Net earnings for period . . . . .	2,456,322	2,624,529
Preference dividend . . . . .	286,562	286,562
Earnings applicable to common shares . . . . .	\$ 2,169,760	\$ 2,337,967
Earnings per common share . . . . .	\$ .84	\$ .90
Common shares outstanding at June 30. . . . .	2,593,400	2,585,200
Net gain on capital asset transactions not included above . . . . .	\$ 281,684	\$ 224,954

# Consolidated Statement of Source and Application of Funds (Unaudited)

SOURCE OF FUNDS:		
Net earnings for period . . . . .	\$ 2,456,322	\$ 2,624,529
Expenses not requiring a current cash outlay:		
Depreciation . . . . .	3,626,385	3,392,780
Income tax applicable to future years. . . . .	457,000	765,052
Cash flow from operations . . . . .	6,539,707	6,782,361
Common shares issued under option agreements . . . . .	—	239,540
Sale of fixed assets . . . . .	1,304,289	1,345,814
Other . . . . .	77,984	88,411
	7,921,980	8,456,126
APPLICATION OF FUNDS:		
Additions to fixed assets . . . . .	9,145,718	6,523,410
Increase (decrease) in investments and secured loans. . . . .	(116,690)	1,490,666
Decrease in notes and mortgage payable . . . . .	35,795	32,211
Payment of dividends . . . . .	2,361,374	2,347,134
Special federal refundable tax . . . . .	16,734	312,695
	11,442,931	10,706,116
WORKING CAPITAL DECREASE . . . . .	\$ 3,520,951	\$ 2,249,990

# État consolidé des bénéfices (non vérifié)

SIX MOIS TERMINÉS LE 30 JUIN

	1968	1967
Revenus bruts d'exploitation . . . . .	\$51,371,415	\$49,459,618
Bénéfices d'exploitation . . . . .	8,237,936	7,831,395
Revenus de placements . . . . .	277,794	210,399
	8,515,730	8,041,794
Intérêt sur billets et hypothèque à payer . . . . .	13,023	15,485
Provision pour amortissement . . . . .	3,626,385	3,392,780
	3,639,408	3,408,265
	4,876,322	4,633,529
Impôts sur le revenu:		
Courants . . . . .	1,963,000	1,243,948
Différés . . . . .	457,000	765,052
	2,420,000	2,009,000
Bénéfices nets de la période . . . . .	2,456,322	2,624,529
Dividende sur actions privilégiées . . . . .	286,562	286,562
Bénéfices applicables aux actions ordinaires . . . . .	\$ 2,169,760	\$ 2,337,967
Bénéfices par action ordinaire . . . . .	\$ .84	\$ .90
Actions ordinaires en circulation au 30 juin . . . . .	2,593,400	2,585,200
Gains nets sur transactions d'immobilisations non inclus ci-haut . . . . .	\$ 281,684	\$ 224,954

# État consolidé de provenance et utilisation des fonds (non vérifié)

## PROVENANCE DES FONDS:

Bénéfices nets de la période . . . . .	\$ 2,456,322	\$ 2,624,529
Dépenses ne nécessitant pas de déboursé immédiat:		
Amortissement . . . . .	3,626,385	3,392,780
Impôt sur le revenu reporté à des exercices ultérieurs . . . . .	457,000	765,052
Accroissement de trésorerie résultant de l'exploitation . . . . .	6,539,707	6,782,361
Actions ordinaires émises en vertu d'options . . . . .	—	239,540
Ventes d'immobilisations . . . . .	1,304,289	1,345,814
Autres . . . . .	77,984	88,411
	7,921,980	8,456,126

## UTILISATION DES FONDS:

Dépenses en immobilisations . . . . .	9,145,718	6,523,410
Augmentation (réduction) des placements et prêts garantis . . . . .	(116,690)	1,490,666
Réduction des billets et hypothèque à payer . . . . .	35,795	32,211
Versement de dividendes . . . . .	2,361,374	2,347,134
Impôt fédéral spécial remboursable . . . . .	16,734	312,695
	11,442,931	10,706,116

DIMINUTION DU FONDS DE ROULEMENT . . . . .	\$ 3,520,951	\$ 2,249,990
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Canada  
Steamship Lines,  
Limited

Interim Report June 30, 1968  
Rapport Intérimaire au 30 Juin 1968

Canada  
Steamship Lines,  
Limited

Interim Report June 30, 1968  
Rapport Intérimaire au 30 Juin 1968

# Canada Steamship Lines, Limited

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HEAD OFFICE: 759 Victoria Square,  
Montreal 126, Quebec.

TRANSFER AGENT: The Royal Trust Company,  
Montreal, Toronto, Winnipeg  
and Vancouver.

REGISTRAR: Canada Permanent Trust Company,  
Montreal, Toronto, Winnipeg  
and Vancouver.

*Pour un exemplaire de ce rapport en français, s.v.p., écrire au Secrétaire.*





Canada Steamship Lines, Limited and subsidiary companies

The *Fort Henry* in the Kaministiquia River, at Fort William.







## Executive Officers

---

T. R. McLAGAN, O.B.E.	<i>Chairman of the Board</i>
J. W. McGIFFIN	<i>President and Chief Executive Officer</i>
W. G. BLACK	<i>Vice President, Finance, Comptroller and Secretary</i>
G. L. COLE	<i>Vice President, Ship Operations</i>
W. DUNKERLEY	<i>Vice President, Labour Relations</i>
W. J. HINES	<i>Vice President, Land Transportation</i>
R. LOWERY	<i>Vice President, Shipbuilding Operations</i>
D. P. GRINTON	<i>Treasurer</i>

## Directors

---

D. W. AMBRIDGE, C.B.E. <i>Toronto, Ontario. Honorary Chairman of the Board, Abitibi Paper Company Ltd.</i>	P. M. McENTYRE <i>Montreal, Quebec. Vice President &amp; Secretary, Commercial Trust Company Limited</i>
DONALD S. ANDERSON <i>Toronto, Ontario. Vice President, The Royal Bank of Canada</i>	J. W. McGIFFIN <i>Montreal, Quebec. President &amp; Chief Executive Officer, Canada Steamship Lines, Limited</i>
J. B. BARBER <i>Sault Ste. Marie, Ontario. Vice President, Finance, The Algoma Steel Corporation, Limited</i>	T. R. McLAGAN, O.B.E. <i>Montreal, Quebec. Chairman of the Board, Canada Steamship Lines, Limited</i>
SIR PHILIP DUNN, BART. <i>London, England. Director, The Algoma Steel Corporation, Limited</i>	A. DEANE NESBITT, O.B.E. <i>Montreal, Quebec. President, Nesbitt, Thomson and Company, Limited</i>
C. ANTOINE GEOFFRION, Q.C. <i>Montreal, Quebec. Partner, Geoffrion &amp; Prud'homme, Advocates</i>	K. A. POWELL <i>Winnipeg, Manitoba. President &amp; General Manager, K. A. Powell Canada (1966) Ltd.</i>
HAZEN HANSARD, Q.C. <i>Montreal, Quebec. Partner, Ogilvy, Cope, Porteous, Hansard, Marler, Montgomery &amp; Renault, Advocates</i>	PETER N. THOMSON <i>Montreal, Quebec. Deputy Chairman, Power Corporation of Canada, Limited</i>
DAVID S. HOLBROOK <i>Sault Ste. Marie, Ontario. Chairman &amp; President, The Algoma Steel Corporation, Limited</i>	W. I. M. TURNER JR. <i>Montreal, Quebec. President, Power Corporation of Canada, Limited</i>

## Honorary Directors

---

HON. T. A. CRERAR, P.C. <i>Retired Senator</i>	Winnipeg, Manitoba
A. O. DUFRESNE	Quebec City, Quebec
G. McMILLAN, Q.C. <i>Partner, McMillan, Binch, Berry, Dunn, Corrigan &amp; Howland, Barristers and Solicitors</i>	Toronto, Ontario
R. W. MILNER	Winnipeg, Manitoba

## Financial Highlights

	1968	1967
Gross revenue from operations . . . . .	\$129,307,886	138,082,297
Net earnings . . . . .	\$ 7,357,742	6,608,402
Net gain on capital asset transactions . . . . .	\$ 1,158,686	835,338
Cash flow . . . . .	\$ 18,837,529	16,866,181
Per common share		
Net earnings . . . . .	\$ 2.61	2.33
Net gain on capital asset transactions . . . . .	\$ .45	.32
Cash flow . . . . .	\$ 7.04	6.28
Dividends . . . . .	\$ 1.30	1.30
Capital expenditure – net		
Vessels . . . . .	\$ 3,611,888	9,622,121
Other . . . . .	\$ 6,560,473	2,299,577
	<u>\$ 10,172,361</u>	<u>11,921,698</u>
Working capital . . . . .	\$ 21,268,728	15,047,180
Cash, short term securities and Canadian Government bonds . . . . .	\$ 21,238,163	10,475,712
Common shareholders' equity per share . . . . .	\$ 29.43	27.67
Average number of employees . . . . .	6,759	7,109
Number of shareholders – December 31 . . . . .	4,204	4,410



# Report to the Shareholders

## EARNINGS

Net earnings for 1968 were \$7,357,742 compared to the \$6,608,402 earned in 1967, an increase of 11%. After preference dividends of \$573,125, net earnings per common share were \$2.61 compared to \$2.33 in 1967.

Net gain on capital asset transactions, which is not included in net earnings, amounted to \$1,158,686 (45¢ per common share) compared to \$835,338 in 1967 (32¢ per common share).

Depreciation charge at \$8,765,580 was relatively unchanged from the 1967 charge of \$8,795,898.

Gross revenue from all operations was \$129,307,886, down \$8,774,411 (6%) from 1967. Activity was at a high level in all areas of the Company's business. Shipping and land transportation revenues were up 12% but the increase was more than offset by lower shipbuilding sales as the shipyards only record vessel sales and profits on delivery and there were fewer deliveries in 1968 than in 1967. Ship repair and general engineering sales showed considerable improvement over 1967.

## SHIPPING OPERATIONS

In May 1968, delivery was taken of a maximum size bulk carrier, the M. V. FRONTENAC, and in June, S. S. THUNDER BAY rejoined the fleet having been converted from a bulk carrier to a self-unloader.

Total tonnage carried was only 1% below the 1966 record. The loss of 24 operating days owing to a strike of St. Lawrence Seaway Authority employees was largely offset by a longer operating season, March 26-December 30. The late closing necessitated by the Seaway strike resulted in additional insurance and

other ship costs which are inherent to December operations.

Export grain moving through St. Lawrence River ports was at the lowest level in recent years, a situation which was compounded by the 59 day strike of the Lakehead Grain Handlers.

During the year the Company's Operating Department was successful in developing new techniques of bulk cargo loading and ship scheduling which assisted in improving vessel efficiency and provided some offset to higher operating costs.

In July the Montreal Package Freight operation was transferred to a new facility at Valleyfield, P.Q.

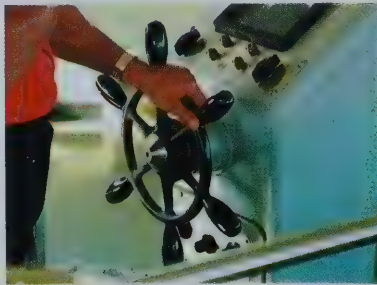
The faster turn-around time improved service and resulted in an increase in trip frequency between Montreal and the Toronto-Hamilton area.

Your management continues to emphasize the importance of eliminating lost time personal injury accidents to ship personnel and we are pleased to advise that the self-unloader fleet has won the U.S. National Safety Council 1968 award in its category for the best safety record of all Great

Lakes fleets reporting to this body.

## SHIPBUILDING

Sales were down reflecting fewer deliveries of new ships. The Davie Shipbuilding yard at Lauzon, P.Q., delivered two large bulk carriers during the year compared to five vessels in 1967. Six ships were under construction at year end and in addition, preliminary work has now started on two helicopter-carrying Destroyer Escorts for the Canadian Government



scheduled for delivery in 1972. Work is also progressing on an off-shore mobile drilling rig, the contract for which was obtained earlier this year for completion in 1969.

The physical assets of the Geo. T. Davie shipyard, which adjoins the Davie Shipbuilding Lauzon facility, were purchased in mid-year. The addition of 1,000,000 sq. ft. of land and the related plant has already permitted expansion of the Davieship repair and engineering operations.

The Collingwood yard of Canadian Shipbuilding & Engineering Limited also delivered two large bulk ships and two other vessels were in progress at year end. The Port Arthur yard converted S. S. THUNDER BAY to a self-unloader and delivered two barges. The Kingston shipyard was closed in October since the market for the construction and repair of small ships had virtually disappeared with the full impact of the Seaway.

#### LAND TRANSPORTATION

Freight revenue of the Kingsway group was at a record high but profit margins suffered from cost increases including an expensive wage settlement with the Ontario Teamsters' Union. Applications for freight rate increases have been approved in 1969 which will assist in defraying the rising costs but further improvement will have to come from expanded volume and increased productivity.

A major route extension was incorporated into Kingsway during 1968 with the purchase of Northern Transport Limited servicing the Toronto-Georgian Bay area.

The Brocklesby mobile crane and heavy hauling

subsidiary had a better year but profit margins continued under pressure due to severe competition and the high wage rate levels which have unsettled the construction industry in recent years.

#### OTHER ACTIVITIES

Sales volume of Port Colborne Quarries was at a record level. Unfortunately, export stone prices have remained unchanged for several years and, with rising costs, increased quarry efficiency has been essential to maintain profitability.

During the year, the Company disposed of both its hotel properties, the Manoir Richelieu at Murray Bay and the Tadoussac Hotel, thus bringing to an end the long association of C.S.L. with passenger steamers and resort hotels.



#### FINANCIAL

Working capital at \$21,268,728 was a record, having increased by \$6,221,548 as a result of an increase in cash earnings and fixed asset disposals combined with a realization on secured loans. Cash and short term securities increased by \$10,762,451 to \$21,238,163 as,

in addition to the above factors, equity in shipyard work in progress declined by \$2,807,547 through prepayments received on certain contracts.

Cash flow totalled \$18,837,529 (\$7.04 per common share) compared to \$16,866,181 in 1967 (\$6.28 per common share).

Investments decreased \$1,194,729 due to net realization on secured loans.

During the year, fixed assets having an original cost of \$14,517,098 and a net book value of \$2,819,123



were disposed of or scrapped. The disposals included four old vessels, the two hotels, and several small properties, all of which had become redundant.

Dividend payments totalled \$3,944,545 at the rate of 31¼¢ per preference share and \$1.30 per common share, the same amounts as were paid in 1967.

Common shareholders' equity per share at December 31, 1968 amounted to \$29.43, up \$1.76 (6%) from the comparable 1967 figure.

#### CAPITAL EXPENDITURE

Net additions	1968	1967
Vessels . . . . .	\$ 3,611,888	\$ 9,622,121
Properties and equipment . . . . .	6,560,473	2,299,577
	<u>\$10,172,361</u>	<u>\$11,921,698</u>

During the year, delivery was taken of M. V. FRONTENAC and construction was started on a new self-unloading bulk carrier at Collingwood. S. S. THUNDER BAY was converted to a self-unloader in the first half of 1968 and S. S. WHITEFISH BAY is being converted to a self-unloader at Port Arthur during the 1968/1969 winter.

Additions to properties and equipment included purchase of the Geo. T. Davie plant adjoining Davie Shipbuilding Limited, an extension of steel handling facilities at Davieship and substantial additions and replacements to the Package Freight, Kingsway and Brocklesby equipment fleets.

#### LABOUR RELATIONS AND PERSONNEL

1968 was a year of relative stability in the Company's labour relations. Agreements were reached with the Canadian Marine Officers Union (Engineers) and the Canadian Merchant Service Guild (Mates) which expire in 1970.

A new agreement must be negotiated with the Brotherhood of Railway Clerks, Freight Handlers,

etc., C.L.C. representing longshoremen and dock workers employed at the Package Freight terminals.

Kingsway concluded a three year contract with the Ontario Teamsters' Union effective October 1, 1968 and are now negotiating with the Teamsters' Union in Quebec.

#### DIRECTORS

Sir Philip Dunn, BART. resigned as a Director, January 1, 1969 after fifteen years of valuable service. Mr. Paul G. Desmarais was elected a Director on February 4, 1969.

#### EMPLOYEES

Your Directors record with pleasure their sincere appreciation of the continuing co-operation and exceptional efforts of our employees which contribute so greatly to the Company's success.

The following senior officer appointments were made:

Mr. Geo. L. Cole – Vice-President, Ship Operations  
Mr. W. G. Black – Vice-President, Finance  
Mr. W. J. Hines – Vice-President, Land Transportation

#### OUTLOOK

1969 prospects are for increased volume in most areas but rising costs are a matter of concern. Further diversification of the business is planned and possible means of attaining this objective are being carefully examined.

On behalf of the Board,

*J. R. McManagan* . Chairman.

*James Giff* . President.

Montreal, Quebec, March 11, 1969.

## Consolidated Statement of Earnings and Earned Surplus

FOR THE YEAR ENDED DECEMBER 31, 1968, WITH COMPARATIVE FIGURES FOR 1967

	1968	1967
Gross revenue from operations . . . . .	\$129,307,886	\$138,082,297
Earnings from operations . . . . .	22,247,302	20,070,466
Income from investments . . . . .	906,759	495,932
Provision for depreciation - <i>Note 7</i> . . . . .	23,154,061	20,566,398
	8,765,580	8,795,898
	14,388,481	11,770,500
Income taxes:		
Current . . . . .	4,446,532	3,845,217
Deferred - <i>Note 4</i> . . . . .	2,584,207	1,316,881
	7,030,739	5,162,098
Net earnings . . . . .	7,357,742	6,608,402
Earned surplus at beginning of year . . . . .	66,281,804	62,768,569
	73,639,546	69,376,971
Dividends:		
Preference shares . . . . .	573,125	573,125
Common shares . . . . .	3,371,420	3,357,380
	3,944,545	3,930,505
	69,695,001	65,446,466
Net gain on capital asset transactions. . . . .	1,158,686	835,338
Earned surplus at end of year . . . . .	\$ 70,853,687	\$ 66,281,804

See accompanying Notes to Consolidated Financial Statements.





# Consolidated Statement of Source and Application of Funds

FOR THE YEAR ENDED DECEMBER 31, 1968, WITH COMPARATIVE FIGURES FOR 1967

	1968	1967
<b>SOURCE OF FUNDS:</b>		
Net earnings . . . . .	\$ 7,357,742	\$ 6,608,402
Expenses not requiring a current cash outlay:		
Depreciation . . . . .	8,765,580	8,795,898
Deferred income taxes . . . . .	2,584,207	1,316,881
Provision for extra compensation . . . . .	130,000	145,000
	<u>18,837,529</u>	<u>16,866,181</u>
Common shares issued under option agreements . . . . .	58,290	438,480
Special refundable taxes . . . . .	288,341	(310,891)
Net decrease (increase) in investments and secured loans . . . . .	<u>1,194,729</u>	<u>(1,364,738)</u>
	<u>20,378,889</u>	<u>15,629,032</u>
<b>APPLICATION OF FUNDS:</b>		
Additions to fixed assets – net . . . . .	10,172,361	11,921,698
Net decrease in notes and mortgage payable . . . . .	35,795	100,711
Cost of acquisition of subsidiary company in excess of book value of equity purchased . . . . .	4,640	74,706
Dividends . . . . .	<u>3,944,545</u>	<u>3,930,505</u>
	<u>14,157,341</u>	<u>16,027,620</u>
WORKING CAPITAL INCREASE (DECREASE) . . . . .	<u>\$ 6,221,548</u>	<u>\$ (398,588)</u>

See accompanying Notes to Consolidated Financial Statements.

## Consolidated Balance Sheet

DECEMBER 31, 1968, WITH COMPARATIVE FIGURES FOR 1967

Assets	1968	1967
<b>CURRENT ASSETS:</b>		
Cash . . . . .	\$ 1,305,623	\$ 692,374
Short term securities at cost . . . . .	15,521,665	3,968,713
Canadian Government bonds at cost— <i>Note 1</i> (market values \$4,456,962 and \$5,879,581) . . . . .	4,410,875	5,814,625
Accounts receivable, less allowance for doubtful accounts . . . . .	14,115,921	13,956,888
Insurance and other claims, estimated amount recoverable . . . . .	1,551,044	1,031,732
Inventories of stores and supplies at the lower of cost or market value and shipyard work in progress at not exceeding cost . . . . .	29,774,225	17,610,224
Prepaid expenses . . . . .	590,898	674,883
	67,270,251	43,749,439
Deduct progress payments and billings on uncompleted shipyard work . . . . .	29,473,553	14,096,603
Total current assets . . . . .	37,796,698	29,652,836
SPECIAL REFUNDABLE TAX . . . . .	591,490	879,831
INVESTMENTS AND SECURED LOANS AT NOT EXCEEDING COST— <i>Note 2</i> . . . . .	2,613,106	3,807,835
<b>FIXED ASSETS:</b>		
Vessels, real estate, buildings, docks and wharves, plant, highway equipment and miscellaneous assets, at not exceeding cost . . . . .	189,101,210	189,265,027
Less accumulated depreciation . . . . .	99,057,816	101,433,619
	90,043,394	87,831,408
On behalf of the Board: T. R. McLAGAN, <i>Director</i> . J. W. McGIFFIN, <i>Director</i> .		
	<u>\$131,044,688</u>	<u>\$122,171,910</u>

### Auditors' report to the shareholders

We have examined the consolidated balance sheet of Canada Steamship Lines, Limited, and its subsidiary companies as at December 31, 1968, and the consolidated statements of earnings and earned surplus and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

Montreal, Que., February 19, 1969.

See accompanying Notes to Consolidated Financial Statements.





Liabilities	1968	1967
<b>CURRENT LIABILITIES:</b>		
Accounts payable and accrued charges . . . . .	\$ 15,283,698	\$ 12,402,400
Income taxes payable . . . . .	1,244,272	2,203,256
Total current liabilities . . . . .	16,527,970	14,605,656
<b>NOTES PAYABLE — Note 3:</b>		
5% note — secured . . . . .	503,006	538,801
Non-interest bearing note — due October 19, 1969 . . . . .	100,000	100,000
	603,006	638,801
<b>DEFERRED INCOME TAXES — Note 4 . . . . .</b>	24,341,547	22,110,821
<b>PROVISIONS:</b>		
Insurance losses, repairs and freight claims . . . . .	360,000	360,000
Extra compensation . . . . .	785,000	655,000
	1,145,000	1,015,000
<b>SHAREHOLDERS' EQUITY:</b>		
<b>CAPITAL STOCK — Note 5:</b>		
Authorized —		
1,834,000 5% cumulative redeemable preference shares of \$6.25 each		
4,000,000 common shares of no par value		
Issued and fully paid —		
1,834,000 preference shares . . . . .	11,462,500	11,462,500
2,595,700 common shares (1967 — 2,593,400) . . . . .	6,034,110	5,975,820
	17,496,610	17,438,320
<b>EARNED SURPLUS . . . . .</b>	70,853,687	66,281,804
<b>SURPLUS ARISING THROUGH THE ACQUISITION OF SUBSIDIARY COMPANIES . . . . .</b>	76,868	81,508
Total shareholders' equity . . . . .	88,427,165	83,801,632
<b>COMMITMENTS — Note 6</b>		
	\$131,044,688	\$122,171,910

In our opinion, these consolidated financial statements present fairly the financial position of the company and its subsidiaries at December 31, 1968, and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PEAT, MARWICK, MITCHELL & Co.,  
Chartered Accountants.

## Notes to Consolidated Financial Statements

1. Government of Canada bonds:

\$2,085,000 par value of Government of Canada bonds are pledged as security for performance of contracts by the company and certain of its subsidiaries.

2. Investments and secured loans:

Investments and secured loans include bonds and shares with a market value at December 31, 1968, of \$593,300, the cost of which was \$588,819.

3. Notes payable:

Payable by instalments related to the profits of a subsidiary company – payment of \$47,455 due on March 31, 1969.

4. Deferred income taxes:

Income taxes otherwise payable in respect of the year will be reduced by claiming for tax purposes capital cost allowances in excess of the depreciation recorded in the accounts. The total of \$24,341,547 carried in the balance sheet as deferred income taxes has been set aside to provide for additional taxes when in the future the capital cost allowances claimed may be less than the depreciation recorded in the accounts.

5. Capital stock:

As at December 31, 1968, options granted on common shares under the 1964 Restricted Stock Option Plan were outstanding as follows:

<i>Expiry Date</i>	<i>Directors Officers</i>	<i>Officers</i>	<i>Employees</i>	<i>Price</i>
August 1974	3,000	5,000	2,000	\$23.20
August 1974	—	4,000	7,300	\$26.10

During 1968, options were exercised on 600 shares at \$23.20 per share and on 1,700 shares at \$26.10 for an aggregate consideration of \$58,290.

6. Commitments:

The company is purchasing vessels which will involve payments aggregating \$10,921,000 all of which are payable in 1969.

The company holds a first mortgage on assets having a present value of \$5,500,000 as security for its guarantee of a bank loan of \$4,050,000.

7. Depreciation policy:

With the exception of vessels, the majority of the companies' assets are depreciated at the maximum rates permitted for income tax purposes. Vessels are depreciated on a straight-line basis on estimated useful lives of from 20 to 25 years.

8. Statutory information:

- The total remuneration received by directors as salaries, fees and other emoluments amounted to \$195,378 in 1968.
- Interest on long-term notes payable totalled \$25,597 in 1968.

## Ten Year Review

1959 to 1968

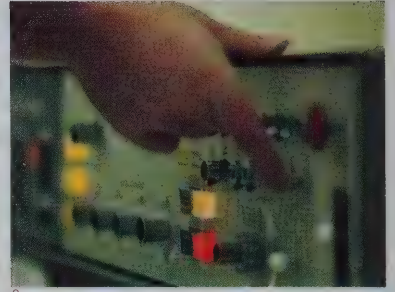
Earnings and Dividends ( <i>thousands</i> )	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959
Net earnings before depreciation and income taxes . . . . .	\$23,154	\$20,566	\$22,841	\$23,782	\$18,901	\$18,361	\$14,549	\$15,303	\$16,380	\$15,000
Depreciation . . . . .	8,766	8,796	7,964	6,970	5,609	6,018	5,756	6,015	4,652	4,074
Income taxes . . . . .	7,031	5,162	6,534	7,784	5,943	5,296	3,672	3,927	5,820	5,520
Net earnings . . . . .	7,357	6,608	8,343	9,028	7,349	7,047	5,121	5,361	5,908	5,406
Dividends—preference shares . . . . .	573	573	573	573	573	573	573	573	573	573
—common shares . . . . .	3,371	3,357	3,344	3,077	2,553	2,280	2,268	2,001	1,732	1,715
Dividends as % of net earnings . . . . .	54%	59%	47%	40%	43%	41%	55%	48%	39%	42%
Per Common Share										
Net earnings . . . . .	\$ 2.61	\$ 2.33	\$ 3.02	\$ 3.29	\$ 2.65	\$ 2.55	\$ 1.80	\$ 1.91	\$ 2.15	\$ 1.95
Net gain on capital asset transactions . . . . .	.45	.32	.05	.50	.34	.10	.07	.03	.02	—
Dividends . . . . .	1.30	1.30	1.30	1.20	1.00	.90	.90	.80	.70	.70
Cash flow (1) . . . . .	7.04	6.28	7.63	7.42	5.90	5.76	4.85	4.99	5.12	4.40
Financial Position ( <i>thousands</i> )										
NET ASSETS:										
Working capital . . . . .	\$21,269	\$15,047	\$15,446	\$15,774	\$18,265	\$16,952	\$18,946	\$17,710	\$16,230	\$16,014
Special refundable tax . . . . .	591	880	569	—	—	—	—	—	—	—
Investments . . . . .	2,613	3,808	2,443	2,451	1,658	5,168	831	694	750	840
Fixed assets—net . . . . .	90,044	87,831	83,870	75,600	63,686	53,416	52,500	49,507	45,580	39,386
Total working capital and other assets . . . . .	114,517	107,566	102,328	93,825	83,609	75,536	72,277	67,911	62,560	56,240
FINANCED BY:										
Bond indebtedness . . . . .	—	—	—	—	—	—	680	880	1,080	1,280
Other liabilities . . . . .	1,748	1,653	1,609	1,690	1,595	1,614	1,618	1,644	833	839
Deferred income taxes . . . . .	24,342	22,111	20,794	16,869	13,226	10,507	11,198	9,245	7,533	4,820
Preference shareholders' equity (2) . . . . .	12,036	12,036	12,036	12,036	12,036	12,036	12,036	12,036	12,036	12,036
Common shareholders' equity . . . . .	76,391	71,766	67,889	63,230	56,752	51,379	46,745	44,106	41,078	37,265
	114,517	107,566	102,328	93,825	83,609	75,536	72,277	67,911	62,560	56,240
Ratio of Current Assets to Current Liabilities . . . . .										
	2.3	2.0	2.3	2.1	2.8	2.4	3.2	3.5	3.5	2.5
Common Shareholders' Equity per Share . . . . .										
	\$ 29.43	\$ 27.67	\$ 26.36	\$ 24.61	\$ 22.16	\$ 20.23	\$ 18.52	\$ 17.58	\$ 16.55	\$ 15.09
Capital Expenditure—net ( <i>thousands</i> ) . . . . .	\$10,172	\$11,922	\$16,105	\$17,589	\$15,015	\$ 9,603	\$ 8,569	\$10,001	\$10,784	\$ 6,661

(1) Net earnings after preference dividends plus expenses not requiring a cash outlay. (2) Calculated using redemption price of \$6 $\frac{1}{16}$  per preference share.





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1. The *Fort York* in Lock 3, Welland Canal.
2. Control by computer at Kingsway.
3. The CSL House Flag.
4. Valleyfield terminal.
5. The Welland Canal and the *Tarantau*.
6. The *Hochelaga* leaving Port Colborne.



□ The 1968 Annual Report reveals many record and near-record performances in various areas of the Company's enterprise. Old uneconomic properties and vessels have been disposed of advantageously and new assets created. Change continues throughout your organization as evidenced in the following review.

The opening of the St. Lawrence Seaway on April 25, 1959, revolutionized shipping in North America and was the direct cause of major changes in the size, speed and efficiency of inland marine vessels.

The significant event brought the era of the "superlaker."

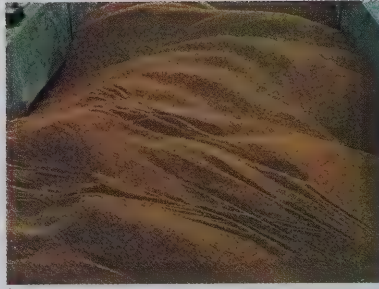
Long, squat and narrow, it moves quietly through locks only 5 ft. wider than itself and is capable of covering the 1,400 miles from the Lakehead to the St. Lawrence grain ports in under five days. The "super-laker" carries 40% more cargo than the largest of her predecessors and, with fewer crew — better paid and better housed — has reduced shipper's cost by up to 50% (a ton of bulk material now moves one mile at a cost of barely 1/5¢, the lowest cost of any transportation mode in North America).

Since 1958, eleven super-lakers have been built by C.S.L. at a cost of over \$50 million. Bulk fleet capacity is now 550,000



7. Kingsway Transports Limited, Toronto.
8. Port Colborne Quarries Limited.
9. The *Richelieu* at St. Lambert Lock, with *Man and His World* in the background.
10. Looking aft on a package freighter.
11. Kingsway in action on Highway 101.
12. The *Thunder Bay* unloading ore at Port Colborne.
13. Davie Shipbuilding Limited.





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D.W.T., compared with 335,000 D.W.T. in 1958, while the number of bulk vessels has decreased from 37 to 23.

The changing times of the middle 1960's introduced a new and more efficient version of an old type of bulk vessel: the self-unloader — a ship which carries its own unloading equipment. It is capable of discharging material at up to 6,000 tons per hour and is ideally suited to short hauls where much of the trip time is normally taken up by unloading with slow, shore-based equipment. Two of C.S.L.'s super-lakers are self-unloaders, a third is being built and a fourth is being converted from a maximum-size upper laker. Previously, four

medium-size (14,000 - 19,000 ton) upper lakers had been converted. Consequently, self-unloader fleet capacity in 1969 will be 180,000 tons compared to 35,000 tons in 1958.

However, it is not the super-laker, alone, that is important to the shipping industry. There is also the package freighter. C.S.L. Fort Class package freighters, capable of carrying a wide range of industrial and manufactured goods, now operate through the entire St. Lawrence and Great Lakes system. The pre-Seaway canaller has all but gone forever and will soon be ancient history. C.S.L.'s present package freight fleet consists of five Fort Class vessels, two River Class vessels and the *Eskimo*. These

1. A bulk carrier holds over 1,000,000 bushels.
2. A cargo of ore for Algoma Steel.
3. Experienced control.
4. Unloading ore at Stelco, Hamilton.
5. The *Whitefish Bay* easing through the Welland Canal.



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have all been built since 1955 and with modern terminals (five have been built since 1962), employing the latest in unitized pallet handling techniques, the division now moves over 1 million tons of freight against strong rail and truck competition.

A major 1968 change was the enlargement of the package freight terminal at Valleyfield, Quebec. This facility allows C.S.L. package freighters to carry goods between Montreal, Toronto and Hamilton, passing through only five Seaway locks to reduce shipping time by a full day. Cargoes are loaded and unloaded at Valleyfield and trucked between Valleyfield and Montreal by our own cartage fleet.

□ 1968 was a year of considerable change at C.S.L.'s shipyards, with the closing of Kingston yard, the purchase of the George T. Davie plant at Lauzon and the commencement of a major modernization and expansion program at Davie Shipbuilding.

The output of Canada Steamship Lines' shipyard group far exceeds that of any other shipbuilder in Canada and makes C.S.L. not only Canada's leading shipowner and operator, but also its premier shipbuilder.

The scientific staffs at these shipyards represent a technical extension of Canada Steamship Lines and have unrivalled access to actual ship operational and performance data, the



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6. The *Frontenac* at Stelco.

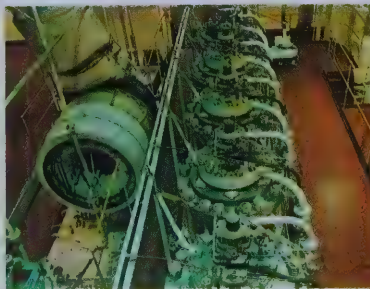
7. Southbound in the Welland Canal.

8. A link between a freighter and its anchor.

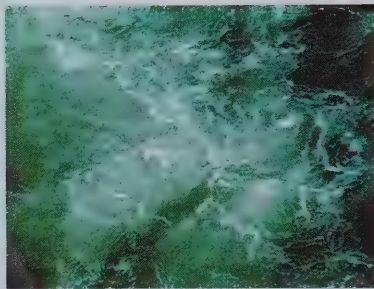
9. The engine room of a typical bulk freighter.



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skillful application of which ensures owners of truly functional and efficiently designed ships.

Canada Steamship Lines' shipbuilding yards are the wholly owned Davie Shipbuilding Limited plant, the largest in Canada, situated at Lauzon, Quebec, and the Collingwood Shipyard, a division of Canadian Shipbuilding & Engineering Limited (Canship), situated at Collingwood, Ontario.

Davie Shipbuilding Limited (Davieship) has 5 berths and is capable of building vessels up to 65,000 tons dead-weight. Collingwood (Collship) is the world leader in the construction of custom-designed upper lake type vessels.

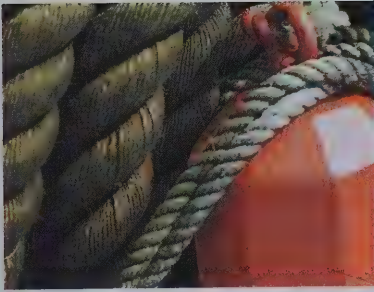
In 1968, Davieship completed and delivered two 27,000 D.W.T. diesel-driven upper lakers of maximum Seaway-size — the *Lake Manitoba* for Nipigon Transport Ltd., and the *Frontenac* for Canada Steamship Lines. An unusually large volume of ship repairs was handled and, in addition, the yard built the major portion of the hull of a large U.S. submarine tender which was shipped in giant sections to Quincy, Mass., by use of a specially chartered ship.

An excellent demonstration of Davieship's ability to build vessels at high speed occurred in July, 1968, under the watchful eyes of the Press. Starting with an empty building berth, Davie

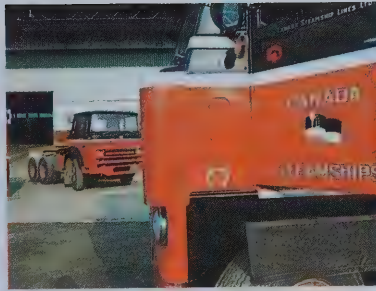


1. White water means action.
2. Snell Lock: the *English River*.
3. 'Tween deck of the *Fort Henry*.
4. The terminal at Port Credit, Ontario.
5. The *English River* unloading.
6. Keeler Terminal at Fort William.





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erected and completed an entire ship's hull that was ready for launching in 13 working days. This \$6 million Search and Rescue Vessel is planned for delivery to the Canadian Government early in 1969.

Six other vessels are under construction at Davie for delivery in 1969, including a twin-screw supply and buoy vessel, three oil tankers, an upper laker and an off-shore mobile drilling rig.

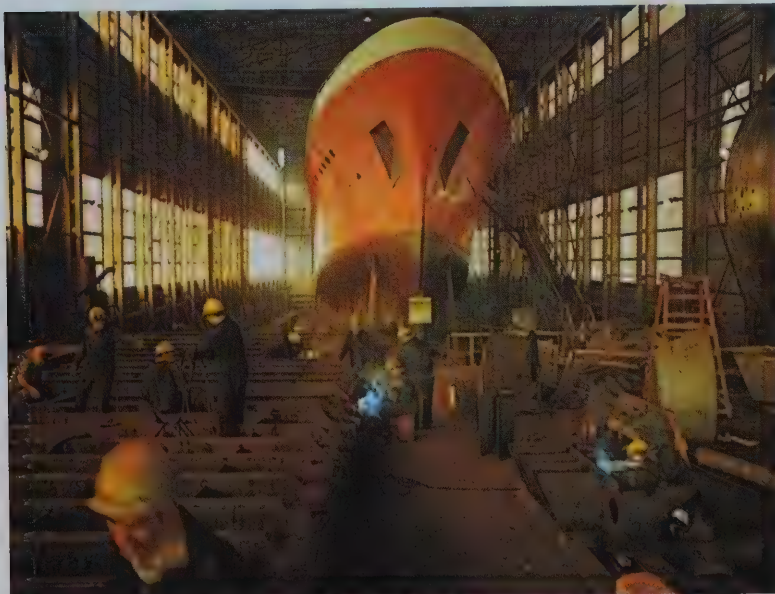
Significant 1968 developments were the expansion of work areas and ship repairing capacity by the acquisition of the adjoining George T. Davie shipyard.

This led to the beginning of a multi-million dollar plant

improvement program. The first phase was completed in 1968 and involved the construction of a giant, covered, steel storage area where ship's plates can be stowed flat, unaffected by the elements, and efficiently handled by a modern magnetic crane without the necessity of sorting plates or operating slings.

The second phase, which is presently in progress, involves extension of the covered area and the installation of conveyor systems and equipment for the automatic cleaning, shot-blasting and painting of plates.

In 1968, Collship delivered both the *Algorail*, a large self-



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6. Basic equipment
7. Valleyfield terminal.
8. Tween deck of a package freighter from inside Valleyfield terminal
9. A package freighter at Port William
10. A Search and Rescue Cutter at Davieship completed in thirteen days
11. "Big Davie" builds ships for the Government of Canada, as well as for private shipping companies and CSL



1. A ship nears completion at Davieship.
2. In the fabricating shop at Davieship: a ship's boiler.
3. The bow of a ship under construction.
4. Skilful welding is basic.
5. The floating crane, *Atlas*, at Davieship.



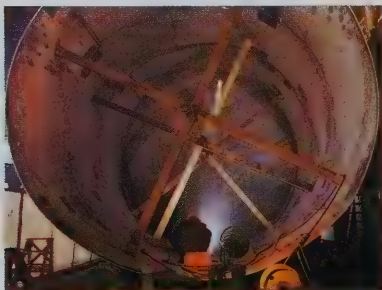
unloader, and the *Algocen*, a maximum-size bulk carrier, for Algoma Central Railway. An oil tanker and a large self-unloader were under construction at year's end.

Portship (Collship's western sister at Port Arthur) is primarily engaged in ship repairing and conversion work. The C.S.L. bulk carrier, *Thunder Bay*, underwent conversion to a self-unloader during the winter of 1967-1968 and was delivered for service at the opening of the 1968 navigation season. Currently the yard is carrying out the conversion to self-unloader of Canada Steamship Lines' upper laker, *Whitefish Bay*, for delivery in 1969.

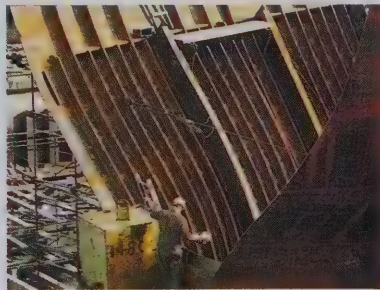
Kingship (the Canship yard at Kingston, Ontario) was closed in the summer of 1968 as this yard was situated and equipped especially to deal with small vessels. With the demise of the 'canallers', operation of the plant was no longer economic.

The Shipbuilding activities at Lauzon, Collingwood, and Port Arthur are each supplemented by industrial engineering divisions which produce a wide variety of high-grade, specialized industrial products.

Products include tank-car tanks, pressure vessels, penstocks, hydraulic tensioning winches and spool tables. Modernization



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and expansion, as in shipbuilding, have led to large scale productivity.

□ C.S.L. has a dynamic land subsidiary that, for twenty-five years, has grown rapidly from the transportation of goods by truck and trailer. Kingsway Transports Limited is one of the largest highway truckers in Canada. Its route structure links forty-three terminals located in many major cities and towns — including the eleven largest metropolitan areas in Canada — and ranges from Quebec City to Vancouver and into the northern U.S.

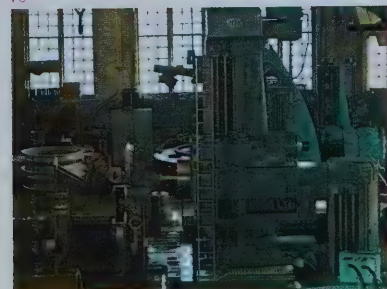
Because of route regulation, expansion must of necessity,

come from the purchase of other carriers. The most recent of these was the 1968 acquisition of Northern Transport Limited with a route that takes Kingsway into the Collingwood, Owen Sound, Georgian Bay area.

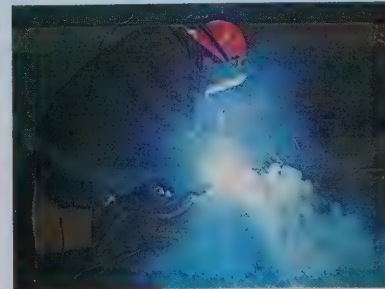
The trucking industry is characterized by constant change and adaptation, and Kingsway continues in the forefront with the latest in modern equipment. New, more powerful tractors are hauling longer trailer combinations of greater capacity. Maximum equipment utilization is achieved by fleet standardization and sophisticated preventive maintenance systems which minimize down time and total repair cost.



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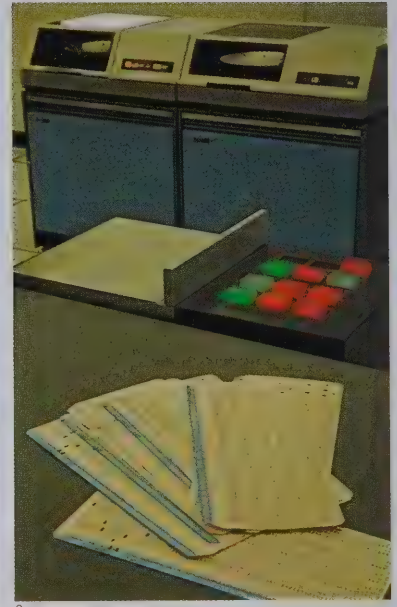
- 6. A 235-ft. ship in the drydock at Portship.
- 7. A hull in the Collship drydock.
- 8. Collship is a year round operation.
- 9. The fabricating shop at Davieship.
- 10. A ship under construction at Collship.
- 11. The new horizontal borer in the machine shop at Collship.
- 12. In Collship's fabricating shop.



1. Tractors at Kingsway.
2. The computer at Kingsway's Toronto office.
3. Loading platform and storage shed.
4. A "double-bottom" unit.
5. Mechanics at work.
6. A 45-ft. trailer backing up for a load.



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Management techniques are becoming increasingly complex and many phases of Kingsway's operations have been or are in the process of being adapted to computer control.

1968 brought the introduction of the 'double-bottom' — two trailers hauled by only one power unit — which will permit a significant increase in load capacity. This development, together with other planned changes, should result in further progress by the Kingsway group in 1969.

□ C.S.L. operates Canada's largest mobile-crane rental and heavy-haulage company: John N. Brocklesby Transport Limited, with branches in Montreal and Toronto. Although

Quebec and Ontario provide most of its business, it has commitments throughout Canada. Hundred-ton structures have been transported by Brocklesby's trailers, while its great mobile cranes are continuously involved in delicate lifts of mammoth proportions within the construction and heavy engineering industries. New hydraulic equipment is replacing conventional cranes and soon the fleet will be completely modernized.

□ C.S.L.'s land transportation subsidiaries reveal a diversity of activity within the Company as a whole. This diversity is exemplified by the operation of a stone quarry in the South Niagara Peninsula by Port Colborne Quarries Limited.



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Today, P.C.Q. supplies high-quality limestone to both Canadian and U.S. markets. Demands for limestone have been created by recent road-building activity in the surrounding areas. A substantial part of the stone production is carried in C.S.L. self-unloaders to various points on the Great Lakes. □ In sum, C.S.L. is not wholly dependent on any industry, region or product (although some are clearly more important than others). The C.S.L. operation is a fully integrated system in which ships, shipyards, trucks and trailers, terminals, mobile cranes, heavy-haulage vehicles and a quarry are interrelated. In the total picture, several areas that this summary has not

touched on — the grain elevators at Midland and Kingston, bulk docks at Port Colborne, Midland and Depot Harbour — although still economic, have suffered from the very changes that have benefited other areas of the industry. However, together with a warehouse division, a ship chandler, and freight forwarding business, they continue to complement the Company's economic function.

The times are changing, and C.S.L. is looking forward to the expansion in the 1970's of the dynamic elements within its present enterprise and to entry into new fields that will broaden its participation in Canada's development.



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7. A group of Brocklesby's mobile cranes.

8. Typical Brocklesby heavy-haulage equipment.

9. Aerial view, Port Colborne Quarries.







